

Mr Philip Lane  
Governor  
Central Bank of Ireland  
Dame Street  
Dublin 2



**Joan Burton TD**

**RE: HOUSING LOAN REQUIREMENTS REGULATIONS**

Dear Philip

I wish to make a submission in respect of the Central Bank's Loan to Value and Loan to Income Regulations on behalf of the Labour Party.

The revised Central Bank rules will prevent the housing market from overheating in the way that led to the crash. At a macro level, they therefore remain welcome. However, as a public representative I have encountered many families and individuals that have been prevented from securing a mortgage to purchase a home due to the existing regulations. A significant proportion of these are due to the inability to save a sufficient mortgage deposit to satisfy the existing regulations.

Where a mortgage applicant can demonstrate in their financial history that they are paying rent equal to (or in many cases) more than the cost of servicing their mortgage on a monthly basis this should be taken into account when assessing their eligibility for a mortgage. It would of course be essential that the applicant provide comprehensive documentary proof of making rental payments over an extended period of time. Such mortgage applicants would have demonstrated that they have the financial discipline, capacity and willingness to pay the mortgage.

Rents in Dublin are at or in excess of mortgage rates and families and individuals paying such high rents for accommodation are greatly restricted in their ability to save a deposit. At present many local authorities such as Fingal County Council include the history of an applicant paying rent and take this into account when assessing the suitability for a mortgage loan.

I would also like to take this opportunity to put on the record the Labour Party support for a small number of additional measures which, while not directly relevant to the consultation you are carrying out, would nevertheless have a significant impact on addressing some of the social issues arising from the current implementation of these regulations.

**Joan  
Burton TD**

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Firstly, the Labour Party advocates the introduction a 'save to buy' scheme for aspiring home owners. This would see the state provide a top-up of €1 for every €4 saved by a first-time buyer towards a house deposit, subject to a maximum cap of €1,200 in state assistance each year over a five-year period. We believe that such a scheme, alongside an acknowledgement of rent paid as outlined above, would provide significant assistance to young families who are trying to buy a home.

Secondly, we remain convinced that greater action must be taken against the hoarding of land to ensure that the construction of larger numbers of homes becomes a reality.

Local authorities have a range of statutory powers and functions that are potentially exercisable in relation to land development for public and private housing purposes.

- They may provide or arrange for the provision of sites for development purposes and may provide or arrange for the provision of any necessary roads, infrastructure, services and works.
- They may use powers of compulsory acquisition in order to facilitate the assembly of sites for the purpose of the orderly development of land.
- They may sell lease or exchange land, in order to secure the best use of that land.
- They may make arrangements between two or more local authorities for the joint discharge of their functions.
- They may carry out or enter into arrangements with any other person or body for the development or management of land and may also engage consultants, advisers and other persons for that purpose.
- They may, subject to ministerial consent, borrow money for these purposes.
- They also have specific additional powers in relation to SDZs.

These powers, taken together, could equip local authorities to undertake a programme of acquiring, by compulsory purchase where necessary, large tracts of undeveloped land, and developed land that is still being hoarded. The land could subsequently be zoned and serviced with a view to ensuring that a constant supply of such land is available for local authority housing and private development purposes.

The purpose of Labour's 2003 Assessment of Compensation Bill was to alter the rules for fixing compensation in these circumstances. It aimed to 'cap' the price of development land acquired compulsorily by local authorities. In the absence of such legislation, local authorities are obliged to pay full market value. Existing rules mean that, effectively the value of land, which is created by the community through the planning process, is privatised.

With CPO powers, provided compensation was set at a realistic rate, local authorities could acquire land, develop it partially on a fully commercial basis and provide (or arrange for the provision of) social and affordable housing with the

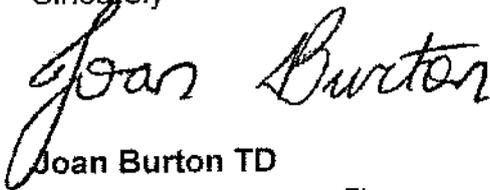
proceeds.

As long ago as April 2003 the All-Party Committee on the Constitution unanimously concluded that constitutional change is not necessary before a reform of the existing system of compulsory purchase and acquisition of land is attempted. Accordingly, statutory provision for the compulsory acquisition of land required for development by local authorities at existing use values plus 25% would not be found to be unconstitutional.

A Bill to confer this power, and to make a range of other necessary changes to the law as it affects housing, will be published by Labour in the coming parliamentary term.

I would be grateful if the above comments can be taken into consideration in the Central Banks ongoing consultation on housing loan regulations.

Sincerely

A handwritten signature in black ink that reads "Joan Burton". The signature is written in a cursive, flowing style.

**Joan Burton TD**

Labour Spokesperson on Finance.

August 29<sup>th</sup> 2016